



29<sup>th</sup> October 2018

## **88 ENERGY LIMITED**

### **QUARTERLY REPORT AND APPENDIX 5B**

#### **Report on Activities for the Quarter ended 30 September 2018**

The Directors of 88 Energy Limited (“88 Energy” or the “Company”, ASX & AIM:88E) provide the following report for the quarter ended 30 September 2018.

#### **Highlights**

##### **Project Icewine**

- The farm-out process formally commenced for the conventional prospectivity portfolio at Project Icewine with the data room opening in July 2018
- 3D seismic interpretation has led to a large upgrade to the conventional portfolio with multiple leads promoted to drillable prospects: 2.3 billion barrels of prospective oil resource delineated (gross mean unrisked), 1.75 billion barrels net to 88 Energy
- Icewine 3D inversion data has delineated additional prospectivity and de-risked the reservoir for proven oil
- HRZ shale evaluation process ongoing post the Icewine #2 suspension
- Agreements executed for additional 45,239 acres net to 88 Energy
- An additional tax credit certificate of US\$5.66 million relating to the CY2017 expenditure was granted by the Alaskan Department of Revenue in July 2018

##### **Western Blocks**

- Definitive agreements executed for farm-in to the Western Blocks in July 2018
- Rig contract executed during the quarter for the drilling of the Winx prospect, scheduled for Q1 2019
- Permitting for the drilling of the Winx prospect progressing on schedule

##### **Yukon Acreage**

- Seismic processing of the Yukon 3D is progressing well, and the Company remains on schedule to deliver evaluation of the acreage in Q4 2018

##### **Subsequent to Quarter End**

- 88 Energy Ltd announced on 3<sup>rd</sup> October 2018 a 1 for 7 non-renounceable rights issue / open offer to raise up to \$14.33m / £7.96m. Funds raised to be used for:
  - Potential production testing at Winx-1 exploration well
  - Possible cost overruns associated with the drilling of Winx-1
  - Lease rentals and interest costs to maintain assets in good standing
  - Ongoing geological and geophysical mapping and evaluation
  - Working capital and general administration
- The conventional prospective resource at Project Icewine was further upgraded to 2,896 MMBO mean gross prospective resource (2,211 MMBO net to 88E)

## Project Icewine

- **Farm-out Formally Commenced**

The farmout campaign for the Project Icewine conventional prospectivity identified on the Company's Central North Slope acreage formally commenced with the opening of the online dataroom in July 2018. The key objective is to attract a farminee to fund and participate in the exploration and appraisal drilling of the significant prospectivity already delineated on the Western Play Fairway and to further the exploration effort on the Central and Eastern Leases. The Company are aiming to progress and complete the farm-out prior to year-end 2018.

- **Icewine 3D & Conventional Portfolio Update**

Interim 3D seismic interpretation has led to a large upgrade in the conventional portfolio with multiple leads promoted to drillable prospects. Significant conventional prospectivity has been matured on recently acquired 3D seismic across the Project Icewine acreage where 1.75 billion barrels of oil potential has been delineated (net mean prospective resource to 88E); 2.3 billion barrels of prospective oil resource delineated gross mean unrisks. New prospectivity was delineated on the Icewine 3D seismic inversion data including the Indigo Prospect a large relatively shallow Brookian Schrader objective with an estimated 227 million barrels of prospective oil resource (gross mean unrisks).

- **Project Icewine – Icewine#2 HRZ Production Testing**

After careful consideration, the Icewine Joint Venture made a decision to suspend the Icewine#2 well. The Joint Venture believes that results from the well to date support the potential economic viability of the HRZ shale play and are within the range of outcomes achieved at other early stage unconventional plays, despite not achieving a flow rate that is representative of the capability of the reservoir. Demobilisation of equipment was completed over the weekend in Alaska. The suspension operation has been designed to maximise flexibility for the future use of the wellbore, including the drilling of a horizontal side-track with a multi-stage stimulation.

- **HRZ Evaluation Process**

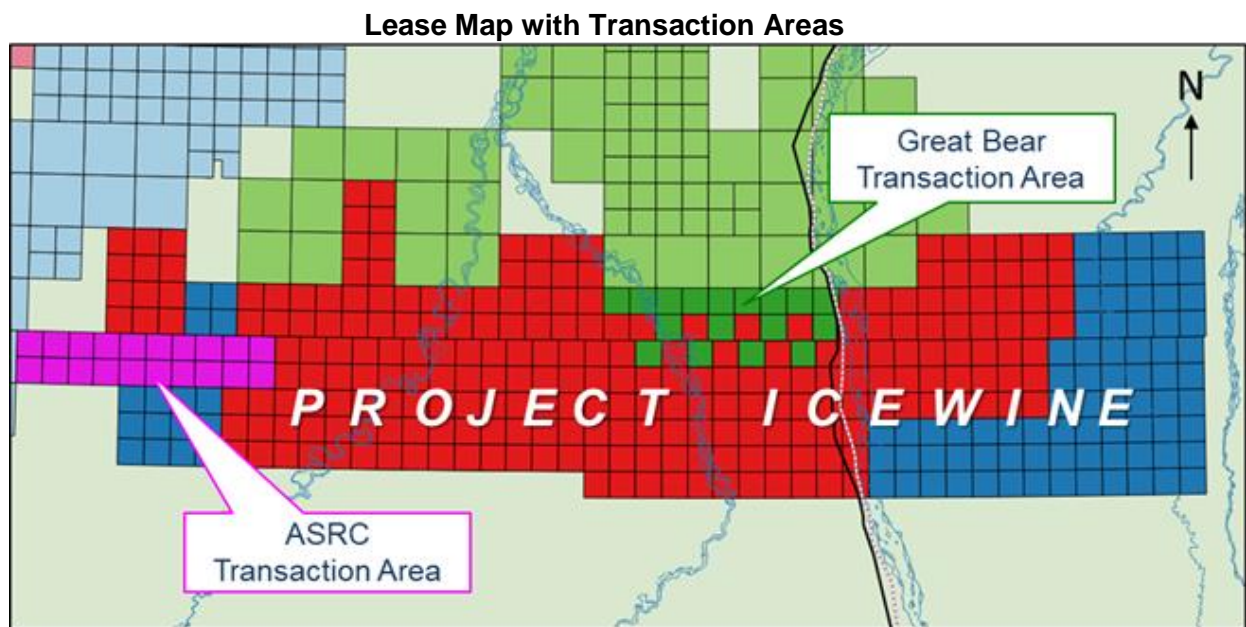
The evaluation process for the HRZ shale, post the recent suspension of the Icewine#2 well, is ongoing and is expected to take several months. Results from this process will be reported as appropriate.

- **Leasing Update**

88 Energy Ltd, via its wholly owned subsidiary Accumulate Energy Alaska Inc. ("Accumulate"), has entered into an agreement with Arctic Slope Regional Corporation, ("ASRC"), to lease the hydrocarbon rights across 28,453 acres contiguous with the Western Fairway area of the Company's current Project Icewine acreage (leasehold 100% net to Accumulate). The ASRC lease terms are consistent with those recently awarded to the Company by the State of Alaska, post the December 2017 Licensing Round.

Accumulate has also entered into an agreement with Great Bear Petroleum to acquire a 69.1% working interest in 24,269 acres adjacent to, and north of, the Central Play Fairway at Project Icewine (16,786 acres net to Accumulate). Consideration for the leases was a cash payment of US\$206,388 (net to 88E), of which US\$167,663 will be directed to lease rentals due by 1st October 2018.

The two acquisitions increase 88 Energy's lease position by 45,239 net acres to 371,478 net acres across the Company's three main project areas on the Central North Slope of Alaska.



- **Additional Credit Certificates Granted**

On the 24<sup>th</sup> July, the Company was informed by the Alaska Department of Revenue that it had issued a Credit Certificate to Accumulate Energy Alaska Inc., (100% owned subsidiary of 88 Energy Ltd), for US\$5.66m related to CY2017 expenditure. An amount of US\$2.83m is available to be cashed out at such time that cash payments are made by the State of Alaska. The total expected cashable credits owed by the State to 88E is US\$20.7m versus debt of US\$16.7m.

## Western Blocks

- **Definitive Agreements Executed for Farm-in to Western Blocks**

88 Energy, via its 100% owned subsidiary Captivate Energy Alaska Inc. executed in July 2018 definitive agreements with Great Bear Petroleum Ventures II LLC (“Great Bear”), along with Otto Energy Ltd (Borealis) and Red Emperor Resources NL (together with 88 Energy, the “Consortium Partners”), to acquire the majority of Great Bear’s working interest in the four leases comprising the Western Blocks (ADL 391718; ADL 391719; ADL 391720; ADL 391721) in exchange for drilling a commitment well on the Western Blocks prior to 30 May 2019.

For further details related to the transaction, please refer to the announcement dated 25<sup>th</sup> June and 30 July 2018.

- **Rig Contract Executed and Permitting Underway to Drill Winx-1 in 1Q2018**

In August 2018, 88 Energy, via its 100% owned subsidiary Captivate Energy Alaska Inc., executed a rig contract for the drilling of the Winx Prospect, located on the Western Blocks, North Slope of Alaska.

The rig contract was executed with Nordic-Calista Services utilising Rig 3, which is a single module, self-propelled drilling rig, capable of drilling to depths of 12,000’ – 14,500’. The rig structure is fully winterised for Arctic Operations and the rig has previously been utilized for grassroots drilling, exploration, sidetracks and workovers on the North Slope.



*Image Right: Nordic Calista Rig 3*

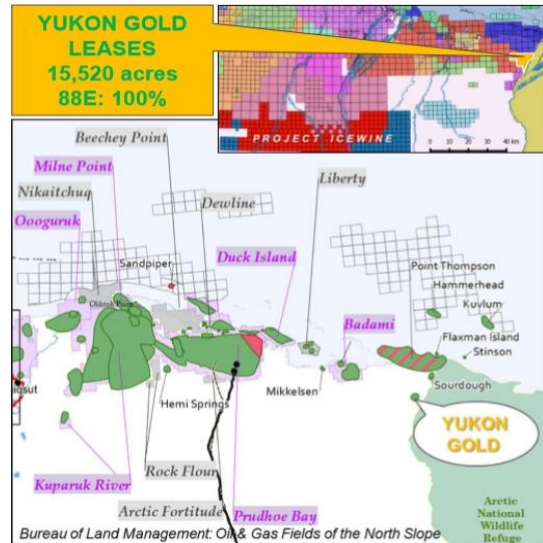
Permitting and planning for iceroad access, icepad and drilling of Winx-1 is progressing on schedule ahead of the planned spud in 1Q2019.

The Winx -1 well will test multiple stacked conventional Brookian targets delineated on 3D seismic with the primary objective located in the successful Nanushuk play fairway. The unrisks gross mean prospective resource at Winx-1 totals 400MMbbls, (144MMbbls net to 88E), with a geological chance of success in the range of 25-30%.

**Cautionary Statement:** The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

## Yukon Leases

During the quarter, processing of the Yukon 3D seismic progressed with the Company remaining on target to deliver a prospective evaluation of the acreage in 4Q2018. The Yukon Leases include an historic oil discovery at Yukon Gold-1. Provisional interpretation of a fast track processed 3D volume has already identified a number of potential prospective play fairways, will assist with assessment of the volumetric potential of the existing oil discovery and has yielded a significant well defined lead on the acreage – Cascade.



## Subsequent to Quarter End Non Renounceable Rights Issue / Open Offer

Subsequent to quarter end the Company announced a 1 for 7 non-renounceable rights issue / open offer to raise up to \$14.33m / £7.96m to fund ongoing activity across its portfolio of oil and gas exploration assets, located on the North Slope of Alaska.

The activity includes the drilling of the high impact Winx-1 exploration well, scheduled for spud in February 2019, which is targeting a gross mean unrisked prospective resource of 400 million barrels of oil (144 million barrels net to 88E). The Winx-1 well is located on the Company's Western Blocks acreage, where 88 Energy is earning a 36% working interest by funding 40% of the cost of the drilling of the well.

The Company is progressing a farm-out of its conventional prospect portfolio at Project Icwine, where 1.75 billion barrels of net mean prospective resource has been delineated on modern 2D and 3D seismic acquired by the Company in 2016 and 2018 respectively. The Project Icwine farmout campaign is targeted for completion by calendar year end 2018.

The Company continues to progress evaluation of the HRZ shale play ahead of a planned farm-out in 1H2019.

By year end 2018, 88E will finalise their mapping and evaluation of the resource potential on its Yukon Leases, where 3D seismic was acquired earlier in the year.



## Corporate

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter. The significant cash flows for the period were:

- Exploration and evaluation expenditure totalled A\$2.4m (net), primarily relating to expenditure associated with the processing and interpretation of the Icewine and Yukon Gold 3D's, lease rental payments to the State of Alaska and expenditure relating to Winx permitting and planning;
- \$1.4m in expenditure in the quarter relates to lease acquisition costs;
- \$1.7m (US\$1.2m) net was incurred in relation to a bond established in favour of the State of Alaska (refundable upon completion of the drilling of the Winx well prior to 30 May 2019);
- Payments in relation to the debt facility interest totalled A\$0.6m (US\$0.4m);
- Administration and other operating costs A\$1.0m (June'18 Quarter A\$1.2m); and
- \$0.2m was received in the quarter from option conversions.

At the end of the quarter, the Company had cash reserves of A\$8.2m, including cash balances held in Joint Venture bank accounts.

Pursuant to the requirements of the ASX Listing Rules Chapter 5 and the AIM Rules for Companies, the technical information and resource reporting contained in this announcement was prepared by, or under the supervision of, Mr Brent Villemarette, who is a Non Executive Director of the Company. Mr Villemarette has more than 35 years' experience in the petroleum industry, is a member of the Society of Petroleum Engineers, and a qualified Reservoir Engineer who has sufficient experience that is relevant to the style and nature of the oil prospects under consideration and to the activities discussed in this document. Mr Villemarette has reviewed the information and supporting documentation referred to in this announcement and considers the prospective resource estimates to be fairly represented and consents to its release in the form and context in which it appears. His academic qualifications and industry memberships appear on the Company's website and both comply with the criteria for "Competence" under clause 3.1 of the Valmin Code 2015. Terminology and standards adopted by the Society of Petroleum Engineers "Petroleum Resources Management System" have been applied in producing this document.

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This announcement contains inside information.

## 88 Energy Alaska North Slope Assets Overview

### Project Icewine

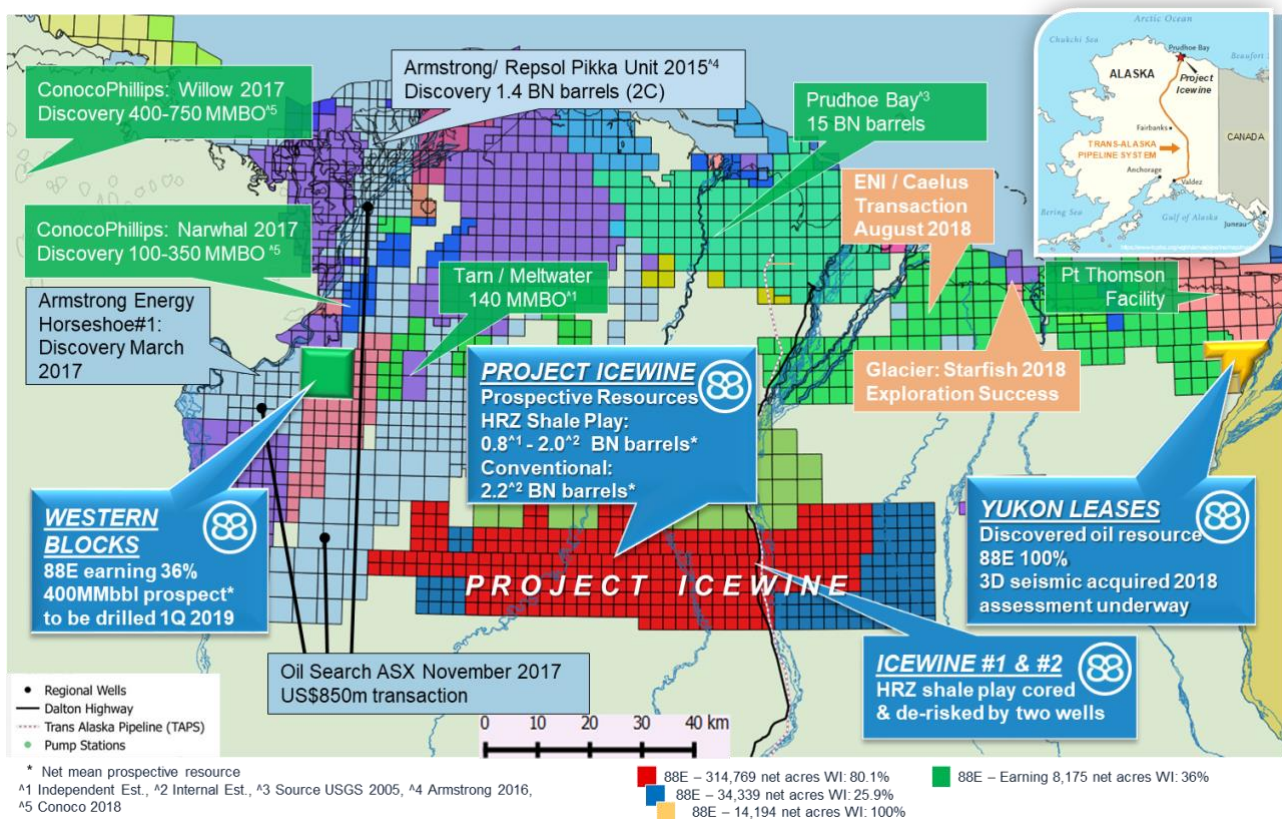
In November 2014, the Company entered into a binding agreement with Burgundy Xploration (**BEX**) to acquire a significant working interest in a large acreage position on a multiple objective, liquids rich exploration opportunity onshore Alaska, North America, referred to as Project Icewine. The current gross acreage position is ~525,000 contiguous acres (349,000 acres net to the Company). These are marked in blue and red on the below map.

The Project is located on an all year operational access road with both conventional and unconventional oil potential. The primary term for the State leases is 10 years with no mandatory relinquishment and a low 16.5% royalty.

Significant conventional prospectivity has been identified on recently acquired 2D and 3D seismic across the project acreage where 2.2 billion barrels of oil potential has been delineated (net mean prospective resource). A farm-out process is currently underway, with a deal targeted prior to 2018 year end.

The HRZ liquids-rich resource play was successfully evaluated based on core obtained in the Icewine#1 exploration well (December 2015), marking the completion of Phase I of Project Icewine. Phase II comprised drilling in mid 2017 at the follow-up appraisal well, Icewine#2, which was subsequently fracture stimulated and flow tested. Production testing at Icewine#2 concluded on 30 June 2018 after retrieving 24.8% of the injected stimulation fluid vs a targeted return of at least 30%. Gas rates of up 100mcf/d were achieved during flowback; however, these are not considered representative due to limited reservoir connectivity. Further evaluation is being completed prior to launching a formal farm-out process in early 2019 to fund the future work program.

### 88 Energy North Slope Acreage





*Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons.*

A Prospective Resources Report by DeGolyer and MacNaughton, was commissioned by 88 Energy to evaluate the unconventional resource potential of Project Icewine in February 2016 and was released to the market on 6<sup>th</sup> April 2016.

### Yukon Gold

The Yukon Gold leases are located on the eastern border of the Central North Slope of Alaska and were acquired in 2018. 88 Energy via its subsidiary has a 100% working interest in these leases, totalling 14,194 acres. The leases contain an historic discovery well, Yukon Gold #1, which is currently being evaluated internally. 3D seismic was acquired in early 2018 to assist with this process and results are expected in 4Q2018. The leases are marked in yellow on the above map.

### Western Blocks

88 Energy is earning a 36% working interest in four leases (totalling 22,711 acres) immediately adjacent to the Horseshoe#1/1A oil discovery well. 88 Energy, with its consortium partners Otto Energy Ltd and Red Emperor Resources NL, has posted a US\$3m performance bond to the State of Alaska and will fund 100% of the costs of well, targeting a prospect with a gross mean unrisks prospective resource volume of 400MMBO (144MMBO net to 88E), to be drilled in 1Q 2019. The leases are marked in green on the above map.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

<b>Name of entity</b>	
88 Energy Limited	
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
80 072 964 179	30 September 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(5,333)	(24,429)
(b) development	-	-



<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
(c) production	-	-
(d) staff costs	(365)	(1,343)
(e) administration and corporate costs	(689)	(1,913)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	12
1.5 Interest and other costs of finance paid	(603)	(1,641)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (JV Partner Contributions – Burgundy Xploration)	2,893	4,485
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,091)</b>	<b>(24,829)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(1,440)	(2,781)
(c) investments	-	(410)
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other: a) Bond – State of Alaska	(4,102)	(4,102)
b) JV Partner Contribution - Bond	2,430	2,430
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(3,112)</b>	<b>(4,863)</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	17,050
3.2 Proceeds from issue of convertible notes	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
3.3	Proceeds from exercise of share options	211	8,934
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(1,496)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Fees for debt refinancing)	-	(1,127)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>211</b>	<b>23,361</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	15,084	14,014
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,091)	(24,829)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,112)	(4,863)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	211	23,361
4.5	Effect of movement in exchange rates on cash held	66	475
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,158</b>	<b>8,158</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	8,158	15,083
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,158</b>	<b>15,083</b>

6. <b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	182
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

6.1 Payments relate to Director and consulting fees paid to Directors. All transactions involving directors and associates were on normal commercial terms.

7. <b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	25
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

7.1 Payments relate to consulting fees paid to Director related entities. Consultant fees paid to associated entities were on normal commercial terms.

**8. Financing facilities available**  
Add notes as necessary for an understanding of the position

	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
8.1 Loan facilities	16,519	16,519
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

- On the 23rd of March 2018, 88 Energy Lt's 100% controlled subsidiary Accumulate Energy Alaska Inc entered into a US\$ 16.5 million debt refinancing agreement to replace the existing Bank of America debt facility. The key terms to the facility are noted in the ASX announcement released on 26th of March 2018. The facility is secured by available Production Tax Credits.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation*	(1,600)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(375)
9.5 Administration and corporate costs	(450)
9.6 Other (provide details if material)**	(600)
<b>9.7 Total estimated cash outflows</b>	<b>(3,025)</b>

\* Includes amounts relating to lease rentals, 3D seismic processing & interpretation, G&A, G&G, expenditure on Winx-1 permitting and drilling planning operations which are net of anticipated JV partner contributions.

\*\* Includes amounts relating to costs associated with the Brevet debt interest costs.

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			

10.2	Interests in mining tenements and petroleum tenements acquired or increased	North Slope Alaska	Joint Venture – 88 Energy Net acreage interest*	318,063	371,478
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*\* Refer to announcement dated 28 September 2018 in relation to leases acquired in the quarter by Accumulate Energy Alaska Inc and also announcement dated 30 July 2018 in relation to the Western Blocks leases acquired by Captivate Energy Alaska Inc, both 100% owned subsidiaries of 88 Energy Ltd.*

## 1.1 Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Signed Sarah Smith Date: 29 October 2018  
(Company Secretary)

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.